

Who gains, who loses in the TPPA

MalaysiaKini.com

Oct 6th, 2015

Bloomberg

The Trans-Pacific Partnership Agreement (TPPA) is the biggest trade agreement in history, reducing tariffs and other forms of protectionism in a dozen countries making up about 40 percent of the global economy with economic output of almost US\$30 trillion (RM130.97 trillion).

The White House estimates it will eliminate 18,000 tariffs on US-manufactured goods, while giving everyone from Vietnamese shrimpers to New Zealand dairy farmers cheaper access to markets across the Pacific. Critics, particularly in the US, say it will kill American manufacturing jobs, reduce environmental standards and raise drug prices.

The deal sealed yesterday in Atlanta came after more than five years of negotiations between the TPPA nations - the US, Canada, Japan, Australia, Brunei, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The agreement must still be ratified by lawmakers in the TPPA nations before it can take effect and President Barack Obama is likely to face a fight to secure passage by the US Congress.

Japan:

- Japanese car and auto-parts makers may be the biggest winners, as they get cheaper access to the US, the industry's biggest export market.
- Japan was forced to reduce some of the protections granted to its rice farmers, creating a non-tariff import quota of one percent of its total consumption.
- Livestock farmers may be harder hit as tariffs on beef will be cut to 9 percent over 16 years from 38.5 percent, while pork tariffs will also be slashed.

Australia:

- The deal will remove about A\$9 billion (RM27.79 billion) of import taxes from Australian trade, Prime Minister Malcolm Turnbull said.
- Australia will gain access to the US sugar market while Japan will also reduce levies on the product and the cut in the beef tariff will help Australian ranchers.
- Seafood and most horticulture products will see tariffs dropped, while preferential quota access will be created for grains, cereals and rice.
- Australia and New Zealand successfully pressured the US to compromise on the amount of time pharmaceutical companies would get protection for new biotech drugs, granting companies a minimum of five years rather than the 12 years of protection pushed by the US. That could lead to cheaper drug prices and more competition.
- Reduced tariffs on everything from iron and steel products, to pharmaceuticals,

machinery, paper and auto parts will help Australian manufacturers.

New Zealand:

- Tariffs due to be eliminated on 93 percent of New Zealand's trade with its TPP partners representing annual savings of about NZ\$259 million (RM733.23 million), Trade Minister Tim Groser said.
- The dairy industry, which accounts for about a quarter of exports, will see savings of about NZ\$102 million a year. Some tariffs to remain in key markets such as the US, Japan, Canada and Mexico. though New Zealand will get preferential access to new quotas.
- Tariffs on beef exports will be eliminated with the exception of Japan where they will drop to 9 percent from 38.5 percent, he said. Tariffs on all other exports including fruit, seafood, wine and sheep meat will be eliminated.
- "While I am very disappointed that the deal falls far short of TPP's original ambition to eliminate all tariffs, there will be some useful gains for New Zealand dairy exporters in key TPP markets such as the US, Canada and Japan," John Wilson, chairperson of Fonterra Cooperative Group Ltd, the world's biggest dairy exporter, said in a statement.

Vietnam:

- Vietnam to be among the biggest winners, according to the Eurasia Group, with the agreement potentially boosting GDP by 11 percent by 2025, with exports growing 28 percent in the period as companies move factories to the low-wage country, the report said.
- Reduced import duties in the US and Japan will benefit country's apparel manufacturers, whose low labor costs have enabled them to grab business from China. Still, impact may be limited as Vietnam will still face strict rules-of-origin on materials.
- Fishing industry to benefit from elimination of import tax on shrimp, squid and tuna, now averaging 6.4 to 7.2 percent.
- Eliminating import taxes on pharmaceutical products from the current average of about 2.5 percent will lead to tougher competition between Vietnamese domestic companies and foreign companies. TPPA will also increase patent protection, restricting Vietnam companies access to new products as well their ability to produce new drugs.

Malaysia:

- Malaysia's state-owned enterprises may suffer from the deal which calls for equal access to government procurement.
- Electronics, chemical products, palm oil and rubber exporters are among beneficiaries. Malaysia is the world's second-biggest palm oil producer and one of the biggest growers of rubber.

China:

- The world's second-biggest economy may be among the biggest losers as it failed to join the TPP, allowing the US to tighten trade ties across the region and advance the Obama administration's so-called pivot to Asia. After initially dismissing TPPA, Chinese officials have now indicated some interest in possibly joining in the future
- "China has an open attitude towards system building that complies with WTO rules and is conducive to economic integration in the Asia-Pacific region, and hopes the agreement and other free trade arrangements in the region can be mutually beneficial, so that they can make contributions to trade, investment and economic growth in the Asia-Pacific region," China's Foreign Ministry said in a statement.
- Chinese exporters may lose some market share in the US and Japan to developing countries such as Vietnam, according to Bloomberg economist Fielding Chen.
- China will push its 'one belt, one road' strategy of resurrecting trade routes from Asia to Europe and its new development bank and try to reach more free-trade deals with other countries, especially in Asia, Chen said. "While opening up its own door, China doesn't want to see other countries are closing their doors," Chen said.

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